

The Australian Notes Act prohibited the circulation of notes issued by a State six months after the commencement of the Act, and such notes then ceased to be legal tender. In addition, the Bank Notes Act imposed a tax of 10 per cent. per annum in respect of all bank notes issued or re-issued by any bank in the Commonwealth after the commencement of this Act and not redeemed.

The Notes Act and the Bank Notes Act were supplemented in the following year by the passing of No. 18 of 1911, "An Act to provide for a Commonwealth Bank," which passed both Houses and was assented to on 22nd December, 1911. The bank thus authorised has no power to issue notes, but in every other respect it has the functions of an ordinary bank of issue. It is managed by a governor and a deputy-governor, who are appointed by the Governor-General and will hold office during good behaviour for a period of seven years, after which they will be eligible for reappointment. A novel feature is the establishment of a department dealing with savings bank business only. No further reference need be made here to this department, which is dealt with in detail in § 5. The framers of the Act have largely followed the lines laid down by the respective State Savings Bank Acts, particularly the Western Australian Act No. 9 of 1906. The capital of the bank was originally fixed at one million pounds, to be raised by the issue and sale of debentures. During the session of 1914 authority was obtained from Parliament to increase the capital of the bank to ten million pounds, with the object, it was understood, of acquiring the entire business of another bank. No such acquisition has, as yet, taken place, and no capital has, so far, been actually advanced by the Commonwealth Government to the bank. The debentures previously referred to were to be for ten pounds or certain multiples of ten pounds and redeemable at par, the Commonwealth guaranteeing interest and principal. All expenses incidental to the establishment of the bank were met by an advance from the Consolidated Revenue Fund, such advance to be ultimately repaid with interest at the rate of three-and-a-half per cent.

The first step in the organisation of the bank was the appointment as Governor, from 1st June, 1912, of Mr. Denison Miller, of the Bank of New South Wales. Mr. James Kell, of the Bank of Australasia, was subsequently appointed Deputy-Governor, and the bank was formally opened on 20th January, 1913, for the transaction of all general banking business. The result of the first day's operations was the deposit of £2,341,720, the bulk of which consisted of funds belonging to various departments of the Commonwealth Government. The opening of branches simultaneously at Sydney, Melbourne, Brisbane, Adelaide, Perth, Hobart, Townsville, Canberra, and London, marked the accomplishment of the provisions of the Commonwealth Bank Act of 1911. The Savings Bank Department, which came into existence six months previously, is dealt with in detail in the section on Savings Banks.

As the initial expenses of the bank were heavy, and as no capital was advanced, the early operations resulted in a small loss. This was debited to the profit and loss account of the bank, and the increasing prosperity of the institution can be seen by the way in which the original debit was reduced, until on 30th June, 1915, it was entirely extinguished. The following table shews the results of the transactions of the bank as published for the several periods mentioned :—

COMMONWEALTH BANK, 1913-17.

Net Result at 30th June.	General Bank.	Savings Bank.	Entire Bank.
	£	£	£
1913	Dr. 24,329	Dr. 22,308	Dr. 46,637
1914	Cr. 11,761	Dr. 48,757	Dr. 36,996
1915	Cr. 56,905	Dr. 54,694	Cr. 2,221
1916	Cr. 181,445	Dr. 34,376	Cr. 147,069
1917	Cr. 522,467	Cr. 3,825	Cr. 526,292

It will be seen from the above that the general bank became profitable at a much earlier stage than the savings bank. According to the provisions of section 30 of the Bank Act, the net profit of £526,292 disclosed at 30th June, 1917, was divided equally between a bank reserve fund and a redemption fund. The reserve fund is available for

the payment of any liabilities of the bank. The redemption fund is available for the repayment of any money advanced to the bank by the Treasurer, or for the redemption of debentures or stock which may be issued by the bank; and any excess may be used for the purposes of the redemption of any Commonwealth debts, or State debts taken over by the Commonwealth.

Under the existing laws, banks are required to furnish quarterly statements of their average assets and liabilities, but these statements are not equally complete in all the States. Until the close of 1907 these quarterly statements, together with the periodical balance-sheets of the banks (generally half-yearly, but in a few cases yearly), were the only information available in regard to banking business. During the year 1908 the Commonwealth Statistician, under the provisions of the Census and Statistics Act, asked the banks for quarterly returns giving slightly more detailed information than had previously been obtained. As, however, this extra information has not been forthcoming in the case of all the banks, the returns for the years subsequent to 1907 have been practically left in the same condition as those for 1907 and previous years.

The Acts under which the various banks are incorporated are not all of the same nature, but it may be stated that while most of the older banks were incorporated by special Acts, e.g., the Bank of New South Wales, by Act of Council 1817; the Bank of Australasia, by Royal Charter; the Bank of Adelaide, by Act of the South Australian Parliament; and the Bank of New Zealand, by Act of the General Assembly of New Zealand, the newer banks are generally registered under a "Companies Act," or some equivalent Act. This is also the case with those banks which, after the crisis of 1893, were reconstructed.

3. Capital Resources of Banks.—The paid-up capital of the cheque-paying banks, together with their reserve funds, the rate per cent., and the amount of their last dividends, is shewn in the table hereunder. The information relates to the balance-sheet last preceding the 30th June, 1917. In regard to the reserve funds it must be stated that in the case of some of the banks these are invested in Government securities, while in other cases they are used in the ordinary business of the banks, and in a few instances they are partly invested and partly used in business.

CAPITAL RESOURCES OF CHEQUE-PAYING BANKS, 1916-17.

Bank.	Paid-up Capital.	Rate per cent. per annum of last Dividend and Bonus.	Amount of last half-yearly Dividend & Bonus:	
			£	%
Commonwealth Bank of Australia	...	...	...	526,292
Bank of Australasia	2,000,000	14 & 12/- bonus ps.	170,000	2,962,650
Union Bank of Australia Limited	2,000,000	14	140,000	2,031,830
English, Scottish and Australian Bank Limited	539,438	8	43,155	483,885
London Bank of Australia Limited	669,670 ⁴	7	23,200 ⁵	375,681
Bank of New South Wales	3,894,980	10	97,374 ⁶	2,914,827
Commercial Banking Company of Sydney Limited	2,000,000	10	100,000	1,952,758
Australian Bank of Commerce Limited	1,198,679	3	17,980	103,464
City Bank of Sydney	400,000	4	8,000	53,139
National Bank of Australasia Limited	1,498,320 ²	7	52,437	663,694
Commercial Bank of Australia Limited	2,213,009 ³	4	42,347	7,383
Bank of Victoria Limited	1,478,010 ⁴	6	44,340	440,155
Colonial Bank of Australasia Limited	439,280	7	15,375	286,133
Royal Bank of Australia Limited	300,000	8	12,000	278,156
Queensland National Bank Limited	480,000	...	...	36,934
Bank of Queensland Limited	450,000	...	...	...
Bank of Adelaide	500,000	8	20,000	556,173
Western Australian Bank	250,000	20	25,000	713,370
Commercial Bank of Tasmania Limited	200,000	14	14,000	271,422
National Bank of Tasmania Limited	195,250	7	6,834	86,581
Bank of New Zealand	2,279,988	12 & 3 bonus Ordinary 10 Preferen. 4 Guarant'd	237,500	2,246,595
Comptoir National d'Escompte de Paris	8,000,000		400,000 ⁶	1,667,576
Ballarat Banking Company Limited	85,000		3,825	91,087
Yokohama Specie Bank	3,600,000	12	180,000	2,301,985
Total	34,671,524			21,051,790

1. Including calls in arrear. 2. £305,780 preferential, £1,192,440 ordinary. 3. Subject to estimated deficiency in connection with Special Assets Trust Co. Ltd. 4. £416,780 preferential, £1,061,250 ordinary. 5. For 12 months. 6. Dividend for quarter.